

Memorandum

To: Panel Members

Date: December 13, 2001

From: Creighton Chan, Manager
Peter DeMauro, General Counsel

Analyst: A. Nastari

Subject: One-Step Agreement for **Creative International Pastries, Inc. < 100**
(Contractor's Web-site to be developed)

CONTRACTOR:

- Training Project Profile: Retraining: companies w/out-of-state competition
- Legislative Priorities: Moving to a High Performance Workplace
Promotion of California's Workforce
- Type of Industry: Manufacturing Pastries
- Repeat Contractor: No
- Contractor's Full Time Employees:
 - Company Wide: 32
 - In California: 32
- Fringe Benefits: Yes
- Union Representation: No
- Name and Local Number of Union
representing workers to be Trained: N/A

CONTRACT:

- Program Costs: \$33,820
- Substantial Contribution: \$0
- Total ETP Funding: \$33,820
- In-Kind Contribution: \$103,008
- Reimbursement Method: Fixed-Fee
- County(ies) Served: San Francisco
- Duration of Agreement: 24 months

TRAINING PLAN:

- | | | |
|--|--|--------------------|
| • Average Cost Trainee: | New Hire: \$0 | Retrainee: \$1,780 |
| • Type(s) of Training: | Business Skills, Continuous Improvement, Computer Skills, Manufacturing Skills, Management Skills, Literacy Skills | |
| • Number to be retained: | New Hire: 0 | Retrainee: 19 |
| • Range of hours: | 75 - 175 | |
| • Range of hourly wages: | \$11.54 to \$25.24 | |
| • Prevalent hourly wage: | \$11.54 | |
| • Weighted average hourly wage: | \$14.35 | |
| • Health benefits used to meet ETP minimum wage: | Yes. Dental benefits in the amount of \$.17 per hour will be added to meet the ETP minimum wage requirement of \$11.54 for San Francisco County. | |

SUBCONTRACTORS:

Jessica Thomas Company, San Anselmo, California, approximately \$11,200 for the delivery of classroom training and SOST in the areas of Business Skills, Continuous Improvement Skills, and Management Skills.

Jessica Thomas Company, San Anselmo, California, approximately \$2,000 for project administration.

Strategy Workplace Communications, San Francisco, California, approximately \$3,900 for the delivery of classroom training in Literacy Skills.

THIRD PARTY SERVICES:

Jessica Thomas Company developed and provided a company-wide assessment at a cost of \$1,000. Additionally, the consultant assisted the Contractor with developing the curriculum, acquiring and interviewing literacy subcontractors, and providing assistance with the development of this project at no additional cost to the Contractor.

NARRATIVE:

Creative International Pastries, Inc., founded in 1989 by Gerhard and Mary Michler, is a San Francisco-based manufacturer of European-style pastries and desserts. In what started as a two-person operation, the company has grown to include 32 full-time employees who create over 250 different types of pastry products such as cakes, tarts, desserts, cookies and custom-made items for wholesale customers. These customers include hotels, catering companies, restaurants, grocery stores, and clubs throughout the San

NARRATIVE: (continued)

Francisco Bay Area. Under the direct supervision of the owners, the staff produces all hand-made products from scratch, using ingredients from local vendors.

In accordance with Title 22, California Code of Regulations, Section 4416 (b) which states, in part, that "a company engaged in manufacturing is deemed to meet the out-of-state competition requirement for Panel funding," Creative International Pastries has been approved as eligible for funding as an industrial classified manufacturer of pastry products.

Creative International Pastries currently operates from the top down. The owner oversees and is directly involved in the entire production process and is consulted on any concerns that arise during production. Employees depend heavily on the owners to make decisions on the quality of the product and to detect errors.

The company is embarking upon a plan to expand its business by introducing both new products and frozen products. It further plans to expand into the mail order and web markets. The company's expansion plans include building its customer base to include convention centers, event and wedding planners.

In order to accomplish this goal, the company's owners recognize that it needs to move to a high-performance workplace. The owners have found the need to delegate more responsibilities to managers and employees. They will spend more time in strategic planning, product research and development, marketing and public relations.

The company is requesting ETP's assistance in the retraining of its full-time workforce in the company's initial move to a high performance workplace. Training in Continuous Improvement Skills will provide all of the company's full-time employees with the skills necessary to work in teams to identify problems and issues, recommend solutions, and implement the changes. Employees will no longer have to rely on the owners or managers to detect errors. With proper training in quality improvement, decision-making and communication, employees will be able to identify and resolve production problems immediately.

Along with the delivery of Continuous Improvement Skills, the company must form a cross-trained workforce. All previous manufacturing training has been in the form of informal, non-structured job shadowing. The Manufacturing Skills training proposed in this Agreement will provide pastry workers with structured procedures for the manufacturing and delivery of the products. The company will set up standards for operations which the employees can refer to, if needed. Employees will be able to refer to manuals with specific instructions and photographs of the finished product. It is the intent that with this structured training, employees will become more efficient, thereby reducing errors and eliminating waste. Cross-training in this area will also improve the ability of the manufacturing facility to handle changes in product demand and eliminate or decrease the need to cut back hours when lack of work on a specific manufacturing line occurs.

Business Skills will improve service between internal and external customers. Employees will have a better understanding of the company's products which is necessary when addressing the customer's pastry needs, thus reducing order-taking errors and waste.

Managers and supervisors will be provided with Management Skills to become more effective leaders. During the company's assessment process for this training plan, the company's management team identified frontline employees who have leadership abilities without the actual experience of overseeing subordinates. Therefore, these employees will also require new skills for their new roles as frontline leads. Since delegation of duties is being passed forward to managers, it is essential that supervisors, leaders, and frontline staff understand each other's roles and responsibilities in the transition.

NARRATIVE: (continued)

Because of the diverse cultural population of employees, it is essential that all frontline production employees be provided with Literacy Skills. The company is, therefore, proposing to provide vocational English skills that will focus on the employees' duties. Frontline workers will benefit from an improved method of communication and understanding in the workplace.

Training will be provided by in-house trainers and California based vendors. Project administration will be provided by the Jessica Thomas Company.

Supplemental Nature of Training

All of the training in this proposal is new to the company and has never been provided in the format outlined above. The company currently trains its employees on pastry production, use of equipment, and customer service by means of job-shadowing and on-the-job training. The proposed classroom training will require the company to pull employees from the production line so that training can be delivered without production interruptions. Lab training will be held at various non-productive workstations while structured-on-site training will occur at trainees' workstations. The method in which this training will be delivered will be beneficial to employees because employees will be receiving the same information at one time from an experienced trainer and they will be learning the entire production process as opposed to a specific job function. All employees will learn the correct and safe method of operating each piece equipment since cross-training employees will lead to moving employees where production demands must be met.

Continuous Improvement Skills will be new to the employees. In the past, employees have not been required to work in a team environment. Each employee has been responsible for his/her workstation and production process. The classroom environment will be the initial step in gathering all of the employees together as a production team; a team that will have a better method of communicating and understanding their role as a Creative International Pastries' employee.

Without ETP's assistance, Creative International Pastries would only be able to partially train its employees. This funding will also allow the company to structure formalized classroom training that will be less disruptive to the production process.

In-Kind Contribution

Creative International Pastries, Inc. is making monetary contributions in the amount of \$72,211 toward the delivery of this training. This amount includes \$30,180 in wages and benefits paid to employees while in training. The remaining \$42,031 reflects vendors' costs (over and beyond those covered by ETP); training materials; and lost production while the retrainees are in training. The company is also contributing an additional \$30,797 in wages and benefits and vendors' costs for the delivery of training to employees not included in this proposal.

PROPOSED ACTION:

Staff recommends that the Panel approve this Agreement if funds are available and the project meets Panel priorities. This recommendation is based upon Creative International Pastries' stated goal to provide its employees with the knowledge and skills necessary to become a high performance workplace through enhanced productivity from cross-training and problem solving skills, thus contributing to the long-term job security of the company's California workforce.

Training Data									(c) Payment Schedule					
1	2	3	4	5 (a) Cls/Lab Video- conf.	6	7	8	9	10	11	12	13	14 (d) Wage After Reten-	
Job #	Occupations	Type of Training	No. Retain	Hours	CBT Hours	(b) SOST Hours	Cost Per Trainee	Total SOST Trainer Hrs.	Hrs. to Enroll/ Pay 1 Enroll	Pay 2 Compl	Pay 3 Hired	Pay 4 After 90 Days		
1	Supervisor, Assistant Production Manager, Manager	Direct-Employer, Retrainee<100 <i>Menu: Retraintees will take one or more of the following: Business Skills Computer Skills Continuous Improvement Management Skills Manufacturing Skills</i>	3	125		50	\$2,900	15	8	\$ 725.00	\$1,450.00	\$ -	\$ 725.00	\$17.50 - \$25.24
687				125		50		15						
2	Pastry Workers, Dishwasher/Prep Workers	Direct-Employer, Retrainee<100 <i>Menu: Retraintees will take one or more of the following: Business Skills Continuous Improvement Manufacturing Skills Literacy Skills</i>	4	80		35	\$1,880	14	8	\$ 470.00	\$ 940.00	\$ -	\$ 470.00	\$11.54 (only)
687				60		35		14						
3	Pastry Workers, Café Workers	Direct-Employer, Retrainee<100 <i>Menu: Retraintees will take one or more of the following: Business Skills Continuous Improvement Manufacturing Skills</i>	8	60		35	\$1,480	28	8	\$ 370.00	\$ 740.00	\$ -	\$ 370.00	\$11.54 - \$12.50
687				60		35		28						

(a)Advanced Technology must be provided as class/lab.

(b)Figures for calculation purpose only.

(c)For Welfare to Work: Pay 2=50% Completion hrs. Pay 3=100% Completion hrs.

(d)Wages by occupation on Comment Page.

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Job #	Occupations	Type of Training	No. Retain										
4	Office Staff	Direct-Employer, Retrainee<100 <i>Menu: Retrainees will take one or more of the following: Business Skills Computer Skills Continuous Improvement Management Skills Manufacturing Skills</i>	2	80		25	\$1,800	5	8	\$ 450.00	\$ 900.00	\$ -	\$ 450.00
687				80		25		5					\$14.50 - \$15.00
5	Café Workers, Supervisor	Direct-Employer, Retrainee<100 <i>Menu: Retrainees will take one or more of the following: Business Skills Computer Skills Continuous Improvement Management Skills Manufacturing Skills</i>	2	40		35	\$1,080	7	8	\$ 270.00	\$ 540.00	\$ -	\$ 270.00
687				40		35		7					\$11.54 - \$14.00
Contract Totals													
Program Cost				\$33,820				Total to be Retained		19			
Substantial Contribution (___%)				(-)				\$0					
Multiple-Empl. Support (___%)				(=)				\$0					
TOTAL ETP Funding				(-)				\$33,820					

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Turnover Rate	% of Mgrs. & Sups. to be trained		Health Benefits Inc. in Wage?		
17.0%	N/A		Yes		

Location of training: All training will be delivered during work hours on company premises in San Francisco.

Ratios: The ratio of trainers to trainees for class/lab training shall not exceed 1:20 for retrainees.

If Health Benefits is "YES", please explain: Dental benefits in the amount of \$.17 per hour will be added to retrainees' wages in Jobs 2, 3, and 5 to meet the ETP minimum wage requirement of \$11.54 per hour for San Francisco County.